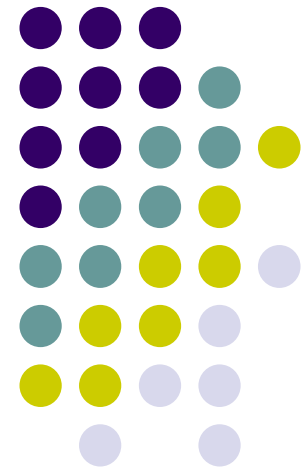
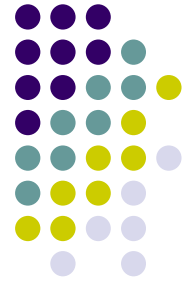


# The Use of Joint Ventures as a Tool for Entering Global Markets

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Stephen Davis  
Trade Commissioner  
The Consulate General of  
Canada





# Definition

Joint Venture (JV)

A legal entity formed between two or more parties to undertake an economic activity together and share risks and benefits

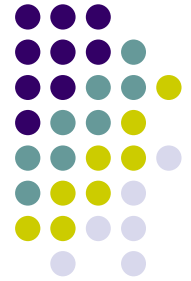
JVs are normally formed outside one's own territory. They are formed to minimize business and political risks.

# Other Reasons for Forming JVs



- Enter new Markets and Business
- Share Cost and risks
- Access to Customers/Distribution
- Perception that the goodwill of the local partner brings
- Local laws restricting foreign national ownership
- Access to local resources

# Other Reasons for Forming JVs



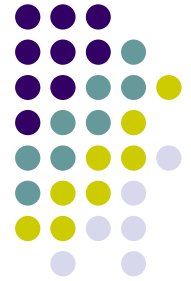
- Access by one partner to foreign technology or expertise
- “Globalize” without size economies of scale
- Pre-empting competition
- Speed to market
- Pathway’s into R&D
- Outsourcing



# Types of JVs

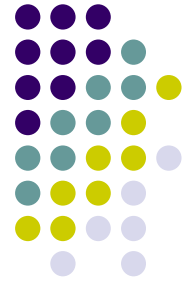
- Foreign investor buying an interest in a local company
- Local firm acquiring an interest in an existing foreign firm
- Both foreign and local firms jointly form a new enterprise
- Two foreign firms jointly form an entity in a local market

# Is 50/50 Partnership The Best?



- Equally Shared Cost
- Equally Shared Risks
- Equally Shared Benefits
- Equally Shared Decisions

Is This Really possible?



# Pit Falls

- Studies show a failure rate of 30-61%
- 60% failed to start or fade away within 5 years
- JVs in low-developed countries show a greater failure rate
- JVs involving government partners have higher incidence of failure



# Plan for Success

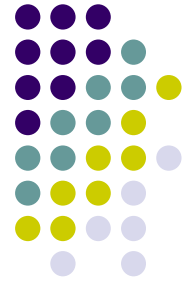
- Fit – picking the right approach to match strategies and capabilities
- Focus – creating clear shared priority, purpose, and ownership
- Follow-through – monitoring the right drivers and adapting successfully



# Fit – When Selecting a partner



- Does the partner have capabilities and technology to make the venture work?
- Does the partner have management skills required for successful collaboration?
- Does the partner have the financial resources needed?
- Is there an organizational fit? Do “styles” match? Comfort in having brands associated with each other?
- Shared decision-making process?



# Focus

- Clearly defined goals, objectives, and expectations
- Participants' roles and responsibilities established at the outset
- Recognition of need for possible modification of agreement
- Shared recognition for flexibility and responsiveness to changing conditions



# Follow - Through

- Clear and defined exit-strategy provisions are negotiated
- Agreement is made to routinely review goals and policies of deal
- Measurements are both non-financial and financial in nature
- Buy-in from senior management regarding definition for success